

The Future of Local Urban Redevelopment

A Guide for Community Policy Makers

**OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT
OFFICE OF EVALUATION
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

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**REAL ESTATE RESEARCH CORPORATION
with RTKL ASSOCIATES INC.**

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SUMMARY

A. Purpose and Organization of this Report

The substitution of Community Development Block Grants for urban renewal and other categorical HUD programs raises many questions concerning existing renewal projects, and the future of urban renewal. Community policymakers must make several critical decisions regarding renewal, as part of the total community development strategy required by the Housing and Community Development Act of 1974. This report is designed to assist local decision-makers in choosing among present -- and future -- alternative courses of action regarding urban renewal.

Specifically, this study is intended to help answer six major questions:

1. How effective has federally-funded urban renewal been up to now?
2. What are the major costs and benefits of urban renewal?
3. What factors should be considered in evaluating the effectiveness of current local renewal efforts?
4. What major organizational options does a city have for carrying out renewal?

5. What future is there for urban renewal under Community Development Block Grants?
6. How successful will future local renewal efforts be under various conditions?

A brief summary of our answers to these questions follows below. A more complete discussion of the past effectiveness of the urban renewal program, and of its costs and benefits, is contained in Chapter II. Chapter III provides fuller discussions about evaluating the effectiveness of present local renewal projects, and the organizational alternatives for carrying out renewal. Chapter IV discusses the future role of urban renewal, and its probability of success in different situations.

B. Bases of Findings

This report is based on a 15-month study undertaken by Real Estate Research Corporation for the U.S. Department of Housing and Urban Development. Our findings are based on an analysis of more than 70 urban renewal projects in 22 cities -- one of the most detailed studies ever undertaken of urban renewal during its 25-year history. The findings, conclusions and recommendations are those of Real Estate Research Corporation, and do not necessarily reflect the policy or views of the U.S. Department of Housing and Urban Development.

C. Summary of Findings and Conclusions

1. The Past Effectiveness of the Urban Renewal Program

The Federal urban renewal program has had four overall objectives:

- Elimination of blight
- Improving low-income housing
- Upgrading low-income neighborhoods
- Strengthening cities' economies

The first three objectives were explicitly stated or implied in the 1949 Housing Act, which first authorized Federal urban renewal, and in subsequent Federal legislation. The fourth objective, while never explicitly stated in any legislation, clearly emerged as one of the most important objectives of renewal.

How well has urban renewal met these objectives during the past 25 years? Our analysis has led to the following conclusions:

- a. Urban renewal has been unable to "solve" either of the two major social problems to which it was originally addressed: inadequate low-income housing, and residential blight in urban low-income neighborhoods. However, this deficiency does not result from any basic failings in either the design of the program or the way it was carried out. Rather, both these problems are of the "super-complex" type that can be "solved" only through application of a great many programs and changes in society far beyond the scope of urban renewal alone. But neither the Federal government nor society as a whole has chosen to adopt or apply those other ingredients necessary to any significant progress in "solving" those problems. Since the urban renewal program was from the start rather narrowly designed with limited power, it could not possibly have fully or even significantly achieved such "solutions" itself.
- b. Urban renewal has been an effective instrument for the achievement of three relatively limited but nonetheless very important goals: removing the worst physical blight from cities (even though it has not caused a large net reduction in blight), partially upgrading low-income neighborhoods, and helping cities strengthen their economies in various ways.
- c. The effectiveness of the urban renewal program in improving low-income housing depended greatly upon the availability of direct housing subsidies for inclusion in urban renewal projects, or elsewhere within the same communities.
- d. Urban renewal has significantly assisted central business districts in many cities to enhance their competitive strength in relation to outlying employment and retail centers. It has generally succeeded in creating a more favorable investment climate, encouraging new public and private development, and adding substantially to the local tax base.

2. The Costs and Benefits of Urban Renewal

Our studies have identified 13 types of costs and 29 potential benefits associated with urban renewal. Not all these costs or benefits are likely to be found in any single renewal project. Of the 13 costs associated with urban renewal, only six can be quantified readily; the remaining seven can be evaluated only on a judgmental basis. Of the 29 potential benefits associated

with renewal, 13 are readily quantifiable, seven are partially quantifiable, and nine do not lend themselves to precise measurement.

Despite the fact that only half of the costs and benefits can be measured with precision, our conclusion is that at the national level, the benefits of renewal have more than outweighed its costs. Historically, the renewal program has indeed been worthwhile, and our judgment indicates it has been cost-effective.

3. Evaluating the Effectiveness of Current Local Renewal Efforts

Of the more than 70 renewal projects analyzed by Real Estate Research Corporation, approximately one-third are experiencing major problems or delays at the present time. The causes of these difficulties can be summarized as follows:

a. National Renewal Program-Related Problems

1. Financial limitations
2. Inability to provide low- and moderate-income housing subsidies as originally planned
3. Inadequate rehabilitation mechanisms

b. Local Project-Related Problems

1. Inappropriate land disposition practices and procedures
2. Difficulties in marketing land near low-income housing concentrations
3. Inappropriate project size or scale
4. Poor project location
5. Unrealistic goals and objectives
6. Inadequate staff capabilities
7. Organizational and political difficulties
8. Failure to marshall local support
9. Lack of reuse potential

Of the above problems, we estimate that approximately one-half are within the direct control of the LPA to

change, while one-quarter are factors which the locality can influence but not control and one-quarter are due to factors beyond its control.

We recommend that every city with an active renewal program undertake a thorough and independent evaluation of its present renewal activities. This is necessary in order to determine which of its current renewal projects should be:

- Accelerated or expanded
- Revised or cutback
- Placed in abeyance or abandoned.

4. Major Organizational Options Regarding Renewal

The substitution of Community Development Block Grants for such categorical programs as urban renewal has caused many cities to review their present organization for renewal. There are two basic models for renewal organization -- the independent renewal agency or authority and the city department of renewal or community development.

Our findings suggest a number of major advantages and disadvantages to each form of organization. We have found no clear indication that one is superior to the other. We do, however, recommend that, as part of its evaluation of the effectiveness of each local renewal project, each city government should undertake a locally-initiated study of its present organization for renewal, and its capability of meeting the city's future community development needs and requirements.

5. The Future Need for Renewal Activities

In view of renewal's mixed success to date, plus such factors as increasing competition for limited and inadequate public funds, the termination of the Federal urban renewal program, and the generally mixed public reaction to urban renewal, should new renewal efforts be undertaken in the future? In short, is there a role for urban renewal under Community Development Block Grants? There are -- and will continue to be -- legitimate needs and valid roles for renewal activities in the future of virtually all American cities. No city has succeeded in solving its major physical problems, let alone its social or economic ones. Few have even come close. Each community in the future will have to decide for itself what role redevelopment has in its physical development program.

At the same time, renewal should not be considered a panacea. It is primarily a limited physical program; so it must be evaluated on how well it accomplishes -- or has the potential for accomplishing -- improvement of those conditions or factors that it can appropriately treat. Renewal alone cannot solve major social and economic problems. It cannot deal effectively with racial questions. It cannot, by itself, create jobs or build housing. It can, however, eliminate blight and blighting influences. It can encourage neighborhood preservation and stabilization. It can play a major role in downtown revitalization. It can make land available for needed housing, commercial uses, and public facilities. And it can encourage private investment.

When we speak of renewal, we refer to the three components of the traditional renewal program:

- Conservation Primarily extensive code enforcement programs
- Rehabilitation Emphasizing the preservation of existing structures and their physical upgrading
- Redevelopment Clearance of blighted areas and blighting influences and their replacement with appropriate public or private reuses.

A brief -- and admittedly oversimplified -- review of the "typical" major problems facing our cities -- large and small -- helps place the future of renewal in perspective, indicating where it has the potential to assist in the solution of major urban problems. Clearly, not all of the problem areas identified here are relevant to all cities. Nevertheless, there is widespread agreement that the most crucial problems facing American cities include the following:

Problem	Can Renewal Help the Community Respond?
● Declining population	Yes
● Financial squeeze over municipal resources	Yes
● Declining employment	In part
● Decreasing retail sales	Doubtful

<u>Problem</u>	<u>Can Renewal Help the Community Respond?</u>
● Flight of the middle class	In part
● Rising crime rates	Doubtful
● Declining quality of public schools	No
● Deterioration of public facilities	In part
● Housing abandonment	In part
● Racial polarization	No
● Concentration of poverty and socio-economic problems	In part
● Functional obsolescence and continued aging of structures	Yes
● Declining transportation advantages of central city	Doubtful
● Declining neighborhoods and the spread of blight	Yes
● Insufficient low- and moderate-income housing.	In part

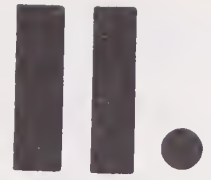
6. The Probability of Success Regarding Future Renewal Activities

The accompanying table summarizes our analysis of the probability of success for future local renewal activities. It shows the seven types of land use for which renewal is most commonly used. It also indicates the renewal mode most applicable to each land use, and our analysis of the probability of its future success. Clearly, the characteristics of seemingly-similar areas can vary considerably. Therefore, the specific conditions of a particular area must be analyzed carefully prior to the initiation of any renewal activities.

Our general findings strongly suggest that the greatest probability of renewal success is in central business districts. Conversely, the least likelihood of renewal success is in non-viable, heavily-abandoned residential areas.

<u>Land Use</u>	<u>Most Applicable Renewal Mode</u>	<u>Probability of Success*</u>
Predominantly residential, experiencing initial signs of decline	Code enforcement and rehabilitation. Spot clearance of blight	Good
Predominantly residential, with decline clearly underway	Rehabilitation combined with substantial clearance	Fair to good
Predominantly residential, in late stages of decline	Total clearance	Fair
Predominantly residential, non-viable heavily abandoned neighborhood	Total clearance	Poor to fair
Central business district	Rehabilitation and clearance	Good to excellent
Institutional	Clearance, probably combined with rehabilitation	Fair to good
Industrial	Spot or total clearance	Fair to good

* In all cases, the probability of success is dependent upon the specific characteristics of the area which must be analyzed carefully prior to the initiation of renewal.



THE PAST EFFECTIVENESS **OF THE URBAN RENEWAL** **PROGRAM**

Since 1949, approximately 1,200 cities throughout the country have undertaken federally financed urban renewal projects. A smaller number of cities have undertaken non-federally funded renewal projects. Projects have ranged in size from a few acres to well over 1,000 acres. The scope of renewal activities has varied from relatively simple code enforcement projects to highly complex multi-million dollar clearance projects. Some projects have been residentially oriented; others commercially oriented; and still others oriented toward industrial, institutional or public uses. Over \$12 billion of Federal funds have been committed to renewal activities, together with additional billions of state and local funds. How successful have these activities been?

During the 25 years since federally-assisted urban renewal was authorized, the program has undergone many changes. In fact, Real Estate Research Corporation believes it cannot be accurately considered the same program as it was initially. Most of the changes that occurred took place in a gradual way over time. Prior to about 1967, urban renewal emphasized massive clearance and demolition. Relocation payments were minimal. Emphasis generally was on slum clearance together with economic revitalization and the development of middle- and upper-income housing. During this period from 1949 to roughly 1967 there was considerable opposition to

renewal, particularly in minority areas, which had been most heavily and adversely affected by renewal activities.

Beginning in approximately 1967, the "rules of the game" began to change substantially. Decreased emphasis was placed on clearance; increased emphasis on rehabilitation and preservation. "One for one" replacement of destroyed housing became mandatory. The introduction of the Neighborhood Development Program (NDP) changed funding emphasis to an annual basis, de-emphasizing long-term project commitments. Requirements for citizens' participation in renewal planning and execution were increased sharply. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 vastly increased relocation payments, turning the formerly most unpopular aspect of renewal into one of its most popular features.

In short, renewal during the past six or seven years is significantly different from activities which preceded it during the 1950s and most of the 1960s. When seeking to evaluate the success of renewal, it is necessary to separate the two urban renewal programs -- clearance-oriented renewal of the 1950s and early 1960s and preservation-oriented renewal of the late 1960s and 1970s.

A. Meeting National Goals

Urban renewal -- whether clearance-oriented or preservation-oriented, has generally had as its objective the attainment of one or more of the following goals:

- Elimination of blight
- Strengthening cities' economies
- Improving low-income housing
- Upgrading low-income neighborhoods

The following paragraphs summarize our findings with respect to the attainment of these goals.

Elimination of Blight

- The urban renewal program has removed a large percentage of the very worst quality housing from the cities in which it was extensively used. If one counts primary individuals as households, nearly 500,000 households have been relocated since the inception of urban renewal. The vast majority of these households today occupy superior housing, although often at higher cost.

- Nowhere has urban renewal completely eliminated residential or other blight. In most cities urban renewal has not even come close to eliminating blight totally. This, in large part, reflects the fact that renewal has never been funded at a level intended to accomplish such a task.

Strengthening City Economies

- Strengthening city economies -- especially by enhancing their non-residential functions -- was not originally stated as a major urban renewal goal by Congress. However, early experience with the program proved it might be an effective instrument for this purpose. In fact, this goal gradually became the dominant motivation for urban renewal in most cities.
- Urban renewal has significantly assisted central business districts (CBDs) in many cities to enhance their competitive strength in relation to outlying employment and retail centers. Major contributions to CBDs concerned were:
 - Removing blight in or near the CBD which reduced its attractiveness and held down property values.
 - Assembling sites on which new development (mainly office buildings and public structures) could be carried out.
 - Persuading private developers who otherwise might not have built in or near the CBD to do so.
 - Creating a more favorable investment climate for development in other than renewal areas as well as in renewal areas.
 - Adding substantially to the tax base of cities.
- Urban renewal has been an effective tool in helping many central cities retain specific industrial and other employers within their boundaries and strengthening other major institutions (such as universities and hospitals) by removing blight in the vicinity of these uses, making land available to them at reasonable cost, and helping finance public facilities to serve them.
- By itself, the urban renewal program has relatively limited powers to enhance a city's economic development. Therefore, it cannot significantly counteract certain basic trends in society undermining the strength of central city economies or their competitive position relative to suburban shopping centers, industrial parks, and

residential development. In essence, urban renewal provides an important means which cities can use to help actualize potential development attractions they already have because of their basic nature and locations.

Improving Low-Income Housing

- In the early years of urban renewal, many projects actually reduced the overall quality of housing for low- and moderate-income households in the communities concerned. This has generally not been true since 1967, when significant changes were made in the urban renewal program requiring a "one-for-one" replacement of any low- or moderate-income housing removed.
- Since January 1973, HUD's moratorium on new public housing and Section 235 and 236 subsidized housing has disrupted plans for new low-income housing in all of the 22 cities we studied. While the moratorium was not complete -- HUD did continue to make units available for projects scheduled to close out and projects with immediate relocation needs -- many of the younger and mid-term projects that needed units for other purposes experienced delays. Furthermore, there was uncertainty as to whether the new programs of Federally-subsidized housing would be successful in meeting the renewal program's needs for low-income housing through new construction.
- Federally-assisted housing rehabilitation has never provided a large-scale source of improvement in housing for low- and moderate-income households. Real Estate Research Corporation estimates that of the approximately 31,000 units that have been rehabilitated in urban renewal and code enforcement areas each year since 1965, only 20 percent have received Federal rehabilitation loans.
- The effectiveness of the urban renewal program in improving low-income housing depended greatly upon the availability of direct housing subsidies for inclusion in urban renewal projects, or elsewhere within the same communities.
- Prior to the adoption of the Uniform Relocation Act in 1970, the displacement process imposed major hardships upon thousands of low-income households. These inequities were borne most heavily by blacks, other minority group households and the elderly. Since the adoption of the Uniform Relocation Act, relocation has become one of the more popular aspects of renewal, since it allows relocation payments to homeowners of up to \$15,000, in addition to the purchase price of the house.

- Using urban renewal to strengthen a city's economy has often conflicted with using it to improve low-income housing in that city -- at least in the short run. This is most striking in projects that demolish many low-income housing units, and replace them solely with a smaller number of middle- and upper-income housing units, or with institutional expansion, during a period of general housing shortage. However, insofar as such projects help effectively reduce excessive spatial concentration of poverty in the city, they may contribute to long-run improvement in low-income housing conditions there -- in spite of their adverse short-run impact.
- New construction of housing on urban renewal sites has not greatly expanded the supply of good quality units available to low- and moderate income households in most cities. On the average, 13,525 housing units per year have been built nationally on renewal sites from 1950 through 1974. Of these units, over 40 percent are for middle- and upper-income households.

Upgrading Low-Income Neighborhoods

- By providing local governments with tools and funds for acquiring and demolishing low-quality structures, urban renewal has made an important contribution to the net upgrading of housing quality. Urban renewal alone was not responsible for this upgrading, but coincided with rising real income and massive private construction of new housing, particularly since 1968.
- New or rehabilitated housing units occupied by low-income households on renewal sites still surrounded by areas of high poverty concentration have frequently become vandalized or deteriorated within a few years. This throws some doubt on the desirability of tearing down blighted housing and replacing it on the same sites with better quality housing for low-income households.
- Particularly since 1967, urban renewal has caused at least a partial upgrading of many low-income areas that were not fully transformed through major clearance. This partial upgrading involved improved public facilities (streets, sewers, water systems and parks) plus rehabilitation of some housing plus removal of much of the worst blight.
- Unless urban renewal transforms a low-income neighborhood through massive clearance, it cannot fully upgrade such a neighborhood by itself. This is true because the program cannot eliminate the concentration of poverty nor cause an upgrading of the many social, economic and other non-physical factors which must be improved if the area is to be upgraded fully.

B. The Costs and Benefits of Urban Renewal

What are the real costs and the real benefits of urban renewal? To its detractors, renewal has been a failure, causing untold physical, social and economic disruptions. Renewal's supporters claim that its benefits have been significant in contributing to cities' revitalization. Yet rarely has renewal been subjected to a vigorous and impartial analysis of its real costs and real benefits.

The following paragraphs summarize our conclusions as to the real costs and benefits of urban renewal. It must be remembered that although renewal is intended to slow down, stop, or reverse the process of neighborhood decline, the effectiveness of individual projects cannot be judged entirely on the basis of how completely they have accomplished that objective. This is true because the urban renewal program has from the start been handicapped by the facts that:

- Renewal remedies are almost entirely physical in nature, while the process of urban decline involves crucial social, economic, financial, and political factors as well.
- Neighborhood decline -- in many areas -- is a logical result of the life cycle imposed on most urban neighborhoods, which encourages outward development.
- Renewal cannot directly provide new or rehabilitated housing for low- and moderate-income households without additional housing programs and housing subsidies, which have been unavailable or inadequate for most of the life of urban renewal.
- There was never any intention that the renewal program would be used in every deteriorated urban neighborhood. Consequently, the funds appropriated for the program have always been much less than would be needed to physically upgrade all neighborhoods requiring treatment.

An additional -- and critical -- problem in evaluating the costs and benefits of the urban renewal program stems from the fact that some of the costs, and many of the benefits of urban renewal cannot be quantified or otherwise measured, except in an impressionistic manner.

Despite these limitations, which make precise measurement of the costs and benefits of urban renewal impossible, our evaluation of the urban renewal program, and its effectiveness, suggests strongly that the benefits of urban renewal outweigh its costs. Renewal alone, or in combination with other programs, has not been a panacea to urban problems. No American city has ever come close to solving the problems

that urban renewal is designed to treat. Yet there can be little doubt that every one of the 22 cities studied would be in far worse physical, social, and economic condition had renewal not been undertaken.

The two tables that follow summarize our findings with respect to the costs and benefits of urban renewal, indicating which costs and benefits can be measured and which cannot. From this, it can be seen clearly that many of the most important costs and benefits simply are not subject to precise measurement.

As the following tables indicate, we have found 13 costs associated with urban renewal. These range from breakup of established patterns of social interaction to a loss of property taxes. Only 6 of these costs associated with urban renewal can be readily quantified; the remaining 7 can only be evaluated on a judgmental basis.

Our research has suggested a total of 29 potential benefits of urban renewal. Not all are applicable to any one project. Our studies indicate that 13 of these benefits are readily quantifiable; 7 are partially quantifiable, and 9 do not lend themselves to ready quantification.

Although a number of these costs and benefits cannot be quantified easily, our conclusion is that, despite its shortcomings, failures and limitations, the urban renewal program has indeed been beneficial and worthwhile. Its costs, while considerable, have been more than offset by its benefits.

Had there been no such program as urban renewal, each of the 22 cities studied by Real Estate Research Corporation would today be considerably less attractive, less vital, and less functional than it is now. Cities have often succeeded in eliminating at least some of their worst slums. The overall quality of occupied housing units has increased significantly, and in small part renewal contributed to this phenomenon. Cities' economies have been aided by renewal. These benefits have outweighed the high costs associated with renewal.

Table 1

URBAN RENEWAL COSTS

Short Name of Specific Cost	Brief Description	Is it Readily Quantifiable?	Main Cost Bearers
Cost of Capital	Opportunity cost or income foregone on capital used in financing renewal. Use public sector discount rate as measure.	Yes	Federal and local taxpayers
Land Write-Down	Total cost of acquiring and clearing renewal land, and operating it until disposition, less land disposition receipts. Includes costs of acquiring all land and improvements, demolition of improvements, installation of new site improvements, interim operating costs.	Yes	Federal and local taxpayers
Renewal Administration Costs	Administration, marketing, and overhead costs of staff engaged in renewal	Yes	Federal and local taxpayers
Foregone Taxes	Losses of local property and other tax revenue due to removal of original uses and shift to public ownership until redevelopment completed and new taxable uses installed	Yes	Local taxpayers
Household Relocation Costs	Relocation and moving costs for households displaced by renewal. In theory, should be only those in excess of normal turnover rate, but Uniform Relocation Act of 1970 sets specific rules to set payments, and these payments can be set as equal to the real relocation costs involved	Yes	Federal and local taxpayers (since households who move are fully compensated by required relocation payments)
Business and Institutional Relocation Costs	Relocation and moving costs for business firms and institutions displaced by renewal. Compensation required by Uniform Relocation Act of 1970 probably inadequate to cover full costs in many cases, especially when firms lose locally established markets may cease operating.	Partly	Federal and local taxpayers, firms and institutions required to move
Interim-Period Drops in Property Values	Declines in property values during period when an area first considered for renewal, and many owners cease maintenance. Persons who must sell before public takings may suffer losses from inability to find buyers. (However, some properties sold to public agencies at prices inflated above costs to speculative buyers.)	No	Owners of property in renewal areas forced to sell before public taking; occupants of properties in interim period
Break-up of Established Social Action Patterns	Net loss of welfare by persons displaced who cannot easily replace long-established networks of personal interaction in new homes, may never be able to do so (especially true of the elderly).	No	Persons displaced by renewal, some left nearby whose behavior patterns are disrupted
Relocated Blight Impacts	Declines in property values and rises in adverse conditions (such as crime rates) in nearby areas into which displaced households move, if this generates blight there	No	Property owners and initial residents in areas where blight is so generated
Increased Public Service Costs	Increased costs because public agencies other than renewal agency improve services to renewal areas; can include added police, waste removal, fire protection, building inspection costs, etc.	No	City taxpayers, or residents of areas from which services shifted if no net gain in spending and service levels

<u>Short Name of Specific Cost</u>	<u>Brief Description</u>	<u>Is it Readily Quantifiable?</u>	<u>Main Cost Bearers</u>
Low-Income Housing Market Tightening	Rise in rents to low-income households not displaced because supply of housing for such households is reduced if more units for them are cleared than replaced on site or elsewhere. Since 1967 HUD rule on replacing such housing, these costs should be nearly zero if community has complied with that rule.	No	Occupants of low-income rental housing (owners gain benefits from this impact)
Activity Disruption Costs	Negative impacts on local business firms and household convenience due to disrupted communications and traffic patterns during clearance and re-construction periods.	No	Business firms and residents remaining in vicinity of renewal areas
Accelerated Poverty Concentration	Reduction in percentage of renewal area residents with middle- and upper-incomes because acquisition and relocation payments enabled many such households to leave area, thereby raising poverty concentration among remaining households.	Yes	Remaining renewal area residents and property owners

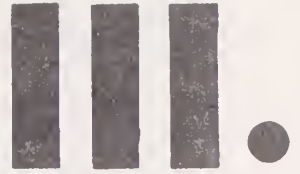
Table 2

URBAN RENEWAL BENEFITS

<u>Short Name of Specific Benefit</u>	<u>Brief Description</u>	<u>Is it Readily Quantifiable?</u>
Decreased Disease	Lower disease rates because of blight removal	No
Decreased Crime	Lower crime rates because of blight removal	Partly
Decreased Spending on Police Protection	Lower public spending on police protection because of blight removal	No
Decreased Spending on Fire Protection	Lower public spending on fire protection because of blight removal	No
Decreased Spending on Sanitation	Lower public spending on waste collection and sanitation activities because of blight removal	No
Decreased Spending on Health Services	Lower public and private spending on health services because of blight removal	No
Decreased Spending on Education	Lower public spending on schools because of blight removal	No
Assembly Benefit	Improved land-use efficiency resulting from assembling many smaller, parcels into a few larger, more efficient ones	Yes
Land-value Spillover	Increased desirability of land near the renewal project because of blight removal	Partly
More Sites for New Subsidized Housing	Increased supply of sites on which new housing for low- and moderate-income households can be constructed	Yes
Rehabilitation of Low-Quality Housing	Increased supply of "decent" quality existing housing through rehabilitation that raises quality from sub-standard to standard as part of renewal activities	Yes
Improving Quality of Low-Income Occupancy	Up-grading of occupancy by low-income households who move from worst-quality units removed by renewal to better units elsewhere (if they are available)	Partly
Speeding Up Trickle-Down Process	Up-grading of occupancy by low-income households by adding to supply of units for middle- and upper-income groups on renewal sites, causing faster filtering to low-income households in general	Yes
Reduced Density	Reduction in average density of housing occupied by low-income households through removal of overcrowded, high-density units and movement of such households to lower-density units elsewhere	Yes
Total Greater Local Public Spending	Increased public spending in low-income areas for new construction, rehabilitation, jobs, and on higher rents -- thereby strengthening the neighborhood's economy	Partly

<u>Short Name of Specific Benefit</u>	<u>Brief Description</u>	<u>Is it Readily Quantifiable?</u>
Shift of Local Public Spending to Low-Income Areas	Redistribution of spending by local government on local services favoring areas undergoing renewal relative to other parts of the city, thereby strengthening the neighborhood's economy	No
Stronger Community Organizations	Stimulation of stronger local community organizations and greater political participation in renewal areas in response to renewal planning and projects	Partly
Improved Aesthetics	Improvement in appearance of renewal areas because of both blight removal and use of design controls and high-quality aesthetics in redevelopment construction	No
Improved Public Facilities	Installation of better-quality public facilities such as streets, curbs, street-lights, parks, sewer systems, as part of renewal projects	Yes
Improved Public Services	Increase in frequency or quality of public services such as trash removal, police protection, school activities related to renewal projects	Yes
Providing More Open Space	Increasing the amount of open space in low-income or other high-density areas through clearance and re-use as parkland, lot lots, or well-maintained vacant land, plus well-landscaped areas around major redevelopments	Yes
More Viable Income- Mixture	Rise in proportion of middle- and upper-income households in previously low-income areas by loss of low-income households or gain of middle- and upper-income households in renewal projects or both	Yes
Retaining and Attracting Industry	Retaining industrial firms in the city, and attracting new ones, and improving their efficiency by providing room for parking or expansion through urban renewal	Yes
Improving Institutional Effectiveness	Retaining universities, hospitals or other institutions and raising their effectiveness through urban renewal	Partly
Facilitating Major Public Structures	Making sites available for major public improvements like stadiums, federal office buildings, parks, arenas, convention centers -- usually in or near CBD	Partly
Increasing Land Tax Base	Increase in assessed value of land (not improvements) in community because of higher value of renewal-site land, and perhaps other land, leading to higher local property taxes	Yes

<u>Short Name of Specific Benefit</u>	<u>Brief Description</u>	<u>Is it Readily Quantifiable?</u>
Strengthening the CBD	Enhancing the economic viability of the central business district, and its ability to compete with outlying commercial centers	No
Redistributing Resources to Cities	Shifting Federally-collected funds from non-city areas to cities through renewal projects	Yes
Stimulating Private Investment in Cities	Promoting additional private capital investment in new buildings, re-habilitation, renovations, and other activities because of less blight and improved environmental conditions in renewal areas	Partly



REVIEWING PRESENT LOCAL COMMITMENTS TO URBAN RENEWAL

A. Evaluating Present Renewal Activities and Programs

The termination of the Federally-assisted urban renewal program and shift to special community development block grants suggest the immediate need for two actions on the part of community policy makers.

1. A complete and thorough evaluation of all current local urban renewal programs and commitments.
2. Revisions, as appropriate, to current urban renewal activities which reflect cities' present and probable future financial, organizational and political needs and resources.

The preceding chapter indicated that, nationally, the benefits of urban renewal have more than outweighed its costs. On the whole, we have found the program to be worthwhile and productive. This is not meant to suggest that every project undertaken by every city has been successful or has the potential for becoming a success. We have found that approximately one-third of the more than 70 projects evaluated are failing at the present time and are likely to face continued difficulties in the future.

When we indicate that a project is experiencing major difficulties we refer to its inability:

- to restore investor confidence in an area and stimulate new investment.
- to halt the continued erosion or decline of the project area.
- to serve as a catalyst to areas adjacent to the project, either halting further decline or spurring new development in those areas.
- to dispose of land in a timely fashion for the intended uses.
- to complete the installation of all major public services and public facilities in an appropriate time period.
- to honor all major commitments made to the local community.

In general, we have found that the failure to achieve one or more of the above six conditions has been due to either national program related factors (over which a city has limited control) or project related factors (over which a city normally has great control). Following are the most important of these factors.

1. Program Related Problems

- a. Financial limitations. Spiralling inflation, rapidly increasing costs for public improvements and public facilities, the need for costly project modifications, and mounting interest and administrative costs now make the completion of some projects unlikely without infusion of new funds. Projects should be evaluated to determine whether such funds are available and whether use of them in the particular project would be a wise investment. Some projects may require substantial cutbacks in their geographic boundaries, their scope -- or both.
- b. Provision of low- and moderate-income housing. Since January, 1973, HUD's moratorium on subsidized housing has limited the construction of low- and moderate-income housing nationwide. Uncertainty as to future Federally-subsidized housing programs has forced many renewal programs to slow their activities considerably. All projects which are dependent on Federally-subsidized housing should, therefore, be carefully evaluated to determine whether it will be possible to complete them as planned with the programs presently available.

- c. Inadequate rehabilitation mechanisms. A large number of projects are committed to extensive rehabilitation, particularly for low- and moderate-income households. Due to consistently inadequate estimates of the total amount of rehabilitation loan funds required to carry out these projects -- and to the complexities inherent in the rehabilitation process itself -- many projects have fallen badly behind schedule, or been stopped. The effect of this on renewal should be evaluated.

2. Project Related Problems

- a. Inappropriate land disposition practices and procedures. Our studies have indicated more than 92 factors which have delayed land disposition, many of which are avoidable and can be corrected. In addition, we have found a number of other delay-causing factors which cannot be corrected at the local level (high interest rates, lack of subsidy housing programs, etc.). A reevaluation should be undertaken to determine which of these factors may be operating, what steps should be taken to correct them, or what fundamental changes should be made in the projects themselves. It should be noted that certain problems with respect to land disposition have been due to HUD imposed rules and regulations, delays in the processing of papers, and other such problems of a bureaucratic nature.
- b. Perpetuation of low-income housing concentrations. We have found a number of examples of renewal projects which contemplate the continued high concentration of low-income households, as part of a clearance or rehabilitation effort, in the belief that improvement of housing conditions will somehow alleviate many of the social and economic problems in the area. Only rarely have we found this to be the case. On the contrary, we have found instances where an area has been "renewed" as recently as five years ago, and is already quickly back into its former condition despite the expenditures of large sums of money. These factors, too, should be carefully evaluated.
- c. Inappropriate project size and scale. The very size and scale of some projects cast doubt on the ability of even the most competent renewal agency to complete them in a timely fashion. In particular, Real Estate Research Corporation has found that project areas containing a generally homogeneous population are more likely to be successful than those with very heterogeneous populations and sharply divergent values and goals for the project area. After a

careful evaluation, it may be necessary to decrease the size and scale of some of the largest and most complex projects, or face a considerable drain on a city's community development block grant funds for years to come.

- d. Poor project location. Another problem we have encountered in our studies stems from the intrinsic location of the project. Projects which are immediately adjacent to perceived desirable areas (such as a central business district or an attractive residential area) have a far greater probability of ultimate success than do projects which are surrounded by blight and blighting influences. This suggests two things. First, a reevaluation of the timing and scheduling of all renewal projects now underway; and second, a review of the probability of success which can realistically be expected of each current project.
- e. Unrealistic goals and objectives. Either explicitly or implicitly, a number of unrealistic pledges or contradictory goals have been built into some urban renewal projects. These should be carefully reevaluated and, where necessary, modified to better reflect realistic expectations. In any given project, one cannot necessarily expect to increase the tax base, increase the supply of low- and moderate-income housing, halt population outmigration, and stabilize a neighborhood, as has been promised in a few instances.
- f. Inadequate staff capabilities. A number of renewal agencies lack adequate staff to complete their tasks in a timely fashion. Some agencies suffer from a definite lack of experienced land disposition staff, which has been partially responsible for some delays in land disposition and project closeout. In part, these staff deficiencies have been caused by cutbacks in Federal funding during the past few years. Adequate remedies must be found to correct these deficiencies.
- g. Organizational and political difficulties. Conflicts between some city halls and renewal agencies have either stalemated renewal activities or led to communications breakdowns, resulting in considerable delays and confusion. Whether the renewal is operated through an independent agency or a city department is far less important than the working relationship between those responsible for directing city activities and those directing renewal activities.

- h. Failure to marshal local support. Citizen opposition to renewal programs is one of the most sensitive problems faced by many renewal agencies. It is more common in residentially oriented projects than in commercially oriented projects. The most typical problems normally concern the provision of low- and moderate-income housing, and the concept of eminent domain.
- i. Lack of reuse potential. A number of projects have encountered land disposition difficulties. In some instances, this may be due to inadequate marketing or inappropriate land disposition procedures and practices. In other instances, this failure to market land stems from the fact that a market for any reasonable reuse simply does not exist nor is it likely to in the next few years. After careful re-evaluation, consideration should be given in a number of instances to land banking or an appropriate interim use until permanent uses can be found.

B. Monitoring and Evaluation Capacity

We recommend that every city with a current urban renewal program should undertake a thorough and independent evaluation of its present renewal activities and commitments. This evaluation should focus on the attainment of short-term goals, recognizing probable available financial resources and city-wide community development objectives.

It is important that these studies be undertaken at the earliest possible time and that they be conducted in an entirely independent manner by individuals or organizations of uncompromising objectivity. We have recommended to HUD that costs for such studies be considered as an eligible urban renewal project cost. These studies should project a timeframe of no more than 3 to 5 years at the maximum and should lead to specific and detailed recommendations concerning:

1. Renewal projects whose pace should be accelerated, or whose scope expanded.
2. Renewal projects which should be substantially revised or otherwise cutback.
3. Renewal projects which should either be placed in abeyance or abandoned.

Decisions concerning each of the above should not be made in isolation, but rather as part of a city's total community development program, and in light of expected funding under special community development block grants. It is essential that the group undertaking this evaluation of present urban

renewal activities do so in close cooperation with city officials.

C. Reviewing the City's Organization for Renewal

The close-out of the Federal urban renewal program and other HUD-funded categorical programs such as open space, sewer and water grants, and public facilities programs have caused a number of cities to review their present organization for renewal activities. Inasmuch as cities in the future will receive annual community development block grants, with considerable latitude as to how these funds are to be spent, many questions have been raised as to the most effective organization for renewal, taking into account both renewal needs and total community development requirements.

Clearly, there is no one right or wrong answer as to the most appropriate organization for renewal in the future. The best and most effective organization in one city might be clearly inappropriate in a second. Essentially, there are two basic models for renewal organization. Each has advantages and disadvantages, depending on such factors as city size, organizational structure, and complexity of its renewal activities. The paragraphs which follow present a brief summary of the major advantages and disadvantages which Real Estate Research Corporation has found in the two basic organizational structures for renewal -- the independent renewal agency or authority and the city department of community development. While there are a number of permutations of these two basic models, nearly all are similar in their fundamental aspects to one of the two basic models.

1. The Independent Urban Renewal Agency. The most common organization for renewal in American cities is the independent renewal authority. Most deal exclusively with the subject of renewal. Others are responsible for such city-wide functions as planning, capital improvements and programming, and housing, or at least public housing. Most such agencies operate on a city-wide basis although in fact they normally deal with very small and limited portions of the city. Still others operate county-wide, or occasionally at the level of the entire metropolitan area.

Typically, the governing body or the renewal agency is selected by the mayor and/or city council, normally for staggered periods of time, to provide an element of continuity. Such a commission is normally composed of five to nine persons, and often contains a disproportionately high number of bankers, realtors and developers, and representatives of downtown interests. In recent years, many agencies have made attempts to make their commissions more representative, adding community and minority leaders to the governing board.

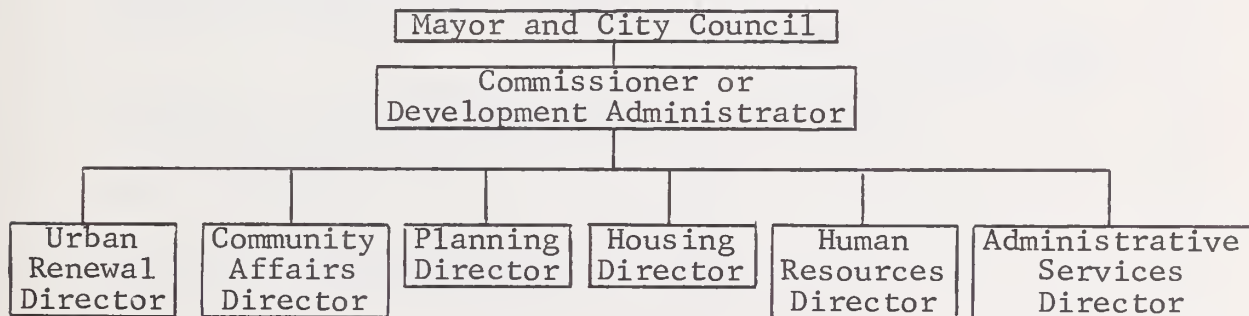
Normally, most major decisions made by the renewal governing board may call for city council approval, which is secured after decisions have first been made by the agency. While the city council may have the opportunity to reject or overturn decisions made by the agency's governing board, in fact they have rarely done so historically.

2. The City Department of Community Development. During the past few years, a growing number of cities have changed their renewal operations from the status as independent or quasi-independent agencies to part of a city-wide department of community development. While the reasons for this change vary from city to city, one key reason in most cities has been to better interrelate activities and programs, with such programs as housing, public works, model cities, human resources, and planning. The past year in particular has seen a number of cities switch to this form of organization for renewal in the belief that it would aid in the administration of special community development block grants.

Cities which have adopted this form of renewal organization have used a number of different organizational techniques. Perhaps the most common is the super-agency, which encompasses such functions as urban renewal, community affairs, planning, housing and human resources. Typically, each major section or division is headed by a person with expertise in his or her area, reporting to a development administrator or commissioner, who in turn reports to the mayor and city council. Such a hypothetical organization is shown below. In general, this type of organization, and indeed the entire concept of a city department of community development, has been applied most often in larger cities; generally those with a population in excess of 250,000 persons. Experience with this form of organization for renewal is much more limited than experience with an independent renewal agency or authority.

Typical Organization

City Department of Community Development



The major advantages and disadvantages of an independent renewal agency and a city renewal department are indicated on the table which follows.

We recommend that a locally initiated study be undertaken to evaluate the present organizational structure for renewal, and its ability to function effectively in the future in light of special community development block grants.

We suggest that such a study be undertaken by the city's own staff, since no outsider can hope to be as familiar with the intricacies and subtleties which are so critical to an effective evaluation of the organizational structure of renewal. Analysis of this type should be performed by persons in the chief executive's office; not by members of the agency or department being evaluated. This study should, however, be closely coordinated with the previously recommended evaluation of renewal activities which are presently underway.

Table 3

Comparison of Independent Renewal Agency
and City Department

Independent Agency	City Department
<p>ADVANTAGES</p> <ol style="list-style-type: none"> 1. Ability to act swiftly and with flexibility 2. Ability to hire and fire without red tape 3. Ability to set salary standards which will attract and hold competent personnel 4. Ability to overcome city's bonding limitations 5. Ability to withstand special interest group pressures 6. Having all needed renewal staff capabilities in one agency 	<ol style="list-style-type: none"> 1. Easing coordination between renewal and other development programs 2. Encouraging political responsiveness to renewal 3. Maximizing particular staff capabilities (particularly applicable in smaller cities)
<p>DISADVANTAGES</p> <ol style="list-style-type: none"> 1. Risk of operating too independently 2. Risk of operating at cross purposes or in contradiction to city policies, needs or objectives 3. Risk of being too insulated from public opinion, not sufficiently responsive to community thinking 4. Potential coordination difficulties in coordinating renewal with other community development programs 5. Potential for neglect on part of city elected officials 	<ol style="list-style-type: none"> 1. Inherent dangers of large-scale bureaucratization 2. Necessary for renewal to rely on other agencies for specialized services (city attorney's office, etc.) 3. Limited ability to hire and fire staff, or pay sufficient salaries

IV.

SUGGESTED GUIDELINES AND CONSIDERATIONS FOR FUTURE REDEVELOPMENT

A. Local Options Regarding Redevelopment

The demand for local funds -- even with special community development block grants -- will always far exceed available resources; so cities will still be hard-pressed to allocate their limited resources. Naturally, each city wants to make the most effective use of its resources, producing the greatest possible benefit at the lowest cost. Since there will continue to be a need for new renewal programs in addition to those already underway -- how can a city be assured that its future renewal dollars will be well spent?

Once again, no hard and fast answers apply uniformly to all cities. However, our research has suggested several possible options available to cities regarding future renewal. By spelling out these alternative options and our findings regarding them, we hope to provide useful guidance about the most appropriate forms of future renewal activity.

1. Facility orientation versus program orientation

Most renewal programs to date have emphasized a "bricks and mortar" approach to the physical needs of the city and its residents. This is natural in view of the thrust and direction of the entire Federal Urban Renewal Program during the past 25 years. Model Cities, originally intended as a social and economic counterpart to

physical renewal, has only infrequently functioned in that capacity. Furthermore, physical blight is often (but not always) a manifestation of more basic economic and social problems faced by cities. By freeing cities from the restrictions imposed by such categorical programs as urban renewal, cities are for the first time, able to coordinate their physical social and economic needs in a joint facility oriented renewal program combined with program oriented social and economic actions. Thus, cities will have the option to deal with the causes of blight and decline (which are largely social and economic) while at the same time treating the manifestations of this blight (through physical renewal). We recommend that cities give serious consideration to a coordinated facility and program oriented approach to urban redevelopment.

2. Clearance oriented programs versus preservation oriented programs

Massive clearance and redevelopment programs characteristic of renewal in the 1950s and early 1960s, have had mixed success. On the one hand they succeeded in eliminating some of the nation's worst slums and stimulated redevelopment of badly needed new residential, commercial, and institutional facilities. On the other hand, the time required to complete many large projects has been lengthy (10 to 15 years from start to finish is not unusual), relocation was a major difficulty, costs rose dramatically during the lifetime of projects, and the re-use potential was often far weaker than originally anticipated.

Preservation and rehabilitation programs, on the other hand, the most common form of renewal in recent years, have been far less dramatic and less disruptive. On balance, they have also had a less significant impact on the revitalization of cities, even when combined with limited clearance. Costs have generally been lower than for clearance projects, relocation problems less significant, and the resulting change in neighborhoods less dramatic.

There is -- and will continue to be -- a need for large scale clearance projects in a number of cities. Decay, abandonment and blight in many residential areas are so extensive, that only total clearance is appropriate. Preservation and rehabilitation -- no matter how conscientiously and thoroughly applied -- are inadequate to problems of this magnitude. Cities must recognize that, once cleared, land may have less re-use potential than is generally acknowledged. Construction of new low and moderate income housing may be inappropriate if it

perpetuates undesirable high concentrations of low income housing. Detailed studies will be required prior to the initiations of any new programs. We suggest that, in the instances described above, emphasis be placed on the removal of blight and blighting influences as the major goals of the program, with re-use considered from the start to be of clearly secondary importance. In such instances, the successful elimination of blight would constitute a highly successful and worthwhile -- albeit costly -- program. Consideration of interim uses or land banking might be appropriate.

A second area where our studies suggest a meaningful role of clearance in the future is in central business district frame areas; those areas immediately adjacent to the CBD core which now contain a mixture of obsolete and deteriorated industrial, warehouse, commercial and residential uses. Such land can provide for needed expansion of CBD functions and in some instances provide a desirable location for new residential and related uses. If well conceived and executed, such projects can provide a much needed "shot in the arm" to a city's economy and tax base, simultaneously eliminating structures which no longer have an economic life or functional use. To the extent that there is a key to success in such projects, it lies in the fact of building onto established nodes -- areas which are clearly perceived as desirable and fundamentally healthy. In undertaking such projects in the future, a realistic assessment must be made of the time required to complete such projects. Depending upon their size and scope, the scale of the city, and the strength of the re-use market, such projects may take up to ten or more years to complete.

With the exception of the two types of projects described above our findings suggest that other renewal needs can better be met by a combination of rehabilitation, or rehabilitation plus limited and highly selective clearance of blight, blighting influences, or inappropriate uses. Rarely will these projects succeed in transforming an area totally from one characterized by extensive decay to a healthy and viable area. Such projects have the greatest chance of success in meeting their objectives when renewal is applied early in the cycle of decline. The greater the degree of present decline, the less likely the probability of success. Inasmuch as the future funds available for renewal are likely to be less than needed, we suggest that cities carefully evaluate both the degree of present decline together with the probability of success of halting such decline prior to the initiation of any new projects.

3. Large-scale orientation versus small-scale orientation

A third option which will become available to a city with the institution of community development block grants concerns the number and size of future projects to be undertaken. A city will have three basic alternatives with respect to the allocation of its funds:

- Confine activities to a relatively small area or areas, with intensive activity
- Spend the same amount of dollars over a much larger area, spending relatively less in each area
- Utilize funds at the city-wide level

If clearance and redevelopment are planned, a city's actions with respect to disposition of renewal areas must continue to reflect state enabling legislation.

In view of the fact that no city will receive enough Federal funding -- or has sufficient resources of its own -- to deal with the totality of its renewal problems, resources must be allocated to limited areas. Inasmuch as the constituency for renewal -- to the extent that it has one -- becomes the entire community under the new Federal guidelines, we expect many cities to either allocate funds throughout the city, or in relatively large areas of the city. Where this is done, its primary reason no doubt will be to maximize the political appeal of special community development block grants to as wide a constituency as possible.

Examples of this type of activity might include extensive street repairs, utility extensions, provision of adequate curbs, gutters, and sidewalks in areas now lacking them, and other modest non-controversial activities. We recommend strongly against this approach, on the grounds that funds will be quickly dissipated with limited long-lasting results, unless the neighborhood is in the very early stages of neighborhood decline.

Conversely, undertaking a large number of very small projects -- whether clearance oriented or preservation oriented -- is likely to be similarly ineffectual. Projects which are only a block or two in size in most cities will be unable to overcome the influences of larger surrounding areas which are experiencing problems. They are thus likely to fall quickly back into their original state, even if totally redeveloped.

There are likely to be three exceptions to this general rule:

- If the total area of the blight were only at most a few square blocks in size, and the area were surrounded by desirable, well maintained areas, then the project might make sense.
- If the area in question were at the fringe of a blighted area (rather than in the center of it) and could be linked to an existing desirable area, the project might be appropriate.
- If the site in question were needed for public facilities or institutional use, and the existing conditions were such that clearance would be warranted.

Otherwise, there is probably very limited validity to undertaking a series of one, two, or three square block renewal areas.

The answer to the question of appropriate project size lies between the two extremes. Very small project areas cannot overcome the influences of the area that surrounds them. Very large project areas -- for example, projects of several hundred acres in size -- are likely to have insufficient resources to complete them in a timely fashion.

In general, we suggest that the following two criteria be applied in the selection of new areas for renewal:

- Is the area in question small enough in size so that the resources available to treat it are sufficient to complete needed activities in a timely fashion?
- Is the area in question large enough to overcome negative influences in proximity to it, and thus less subject to subsequent decline?

4. Housing oriented projects versus commercially oriented projects

In each of the cities we have studied, we have found that commercially oriented projects have been more successful than residentially oriented projects. We define "success" in terms of helping to stabilize the project area itself, helping to halt the decline in areas adjacent to the project area and encouraging new investment and restoring existing investor confidence, both in the project area and elsewhere. In short, commercially oriented renewal projects have had a greater catalytic impact than residentially oriented projects.

This is not meant to suggest that residential renewal has been a failure, which is not correct. However, residential renewal has had a less dramatic and positive impact on cities large and small than commercially oriented projects, generally located in or adjacent to central business districts.

Whether a city chooses to undertake residential renewal, commercial renewal, or both must of course reflect the needs of each community, and the resources available to meet them. In the past -- and we suspect in the future -- it will be far easier to marshal resources for commercial renewal than for residential renewal. Yet the need for housing -- particularly housing for low and moderate income households -- is critical in all but a handful of cities. The priorities for future renewal should reflect these needs, but should also consider the probability of success each project is likely to have.

5. Year to year funding versus long range funding of renewal

One of the major differences we have found between the conventional Federal urban renewal program and the Neighborhood Development Program (NDP) concerns funding. Typically, urban renewal has been funded on a project basis, more or less guaranteeing that funds will be available for the completion of the project. In actuality, the costs of urban renewal have risen dramatically, in the past necessitating a city's filing an amendatory application to HUD for supplemental funding. During an 8 to 12 year period, total project costs increased very substantially -- in some instances as much as 200-300 percent.

NDP, on the other hand, has been funded on an annual basis, with funds allocated yearly by HUD. Due to the uncertainties over Federal funding for NDP that developed in FY'71, and a substantial cutback (25 percent) in funds authorized for NDP in FY'74, many cities have never been certain just how much money they would have, and as a result were often unable to complete plans or honor commitments. This caused major project set backs and delays, particularly in FY'74, in virtually every NDP program which we analyzed.

Community development block grants are similar to NDP in one respect -- they provide funding on an annual basis. In view of cities' generally poor results with NDP, many cities may be unwilling to make new long range renewal commitments, since they may fear legislative changes which might reduce special community development block grants in the future. As a result renewal planning may extend for no more than one year, committing only those funds which are guaranteed and in hand.

While this reaction is certainly understandable we view it as a serious mistake, and recommend against it. Renewal -- whether emphasizing code enforcement, rehabilitation, or clearance, and regardless of the size of the area -- is time-consuming. Limited action can be completed in a one year period. Private support is difficult to marshal, if only because of uncertainty over future public commitments. Any private developer, no matter how public spirited or well motivated, cannot be expected to make a major financial commitment if he or she is uncertain as to the strength of the long term public commitment.

Two solutions to this possible future dilemma over funding are possible: tax increment financing of renewal, and the use of local bond issues.

At the present time, nearly a dozen states have authorized tax increment financing of renewal. Cities in California have made the widest use of this technique. In essence it works as follows. A renewal area is designated by a city, its property tax revenues are "frozen," and a revenue bond issue is passed. As renewal heads toward completion, and the property tax revenues generated from that area increase over their original levels, the difference between the original property tax revenues (at the time of "freezing") and the present property tax revenues is used to pay off the bond issue. When the bond issue has been paid off, all property tax revenues collected from the renewal area once again go into the municipal coffers. The city thus never collects less in property tax receipts at the time of "freezing" and eventually, receives a considerable increase in property tax collections.

Obviously, this type of financing is only applicable if the future property tax revenues are expected to be substantially greater than present property tax revenues. It would not, for example, work in a renewal project where the intended re-use was a tax-exempt institution, such as a hospital or college. We suggest that municipal officials, in states which do not have such enabling legislation, work toward its passage, and consider its utilization in appropriate projects.

A second option which may be available to cities to overcome the annual funding arrangement built into special community development block grants is the passage of local bond issues with repayment to be made each year from community development block grants funds. Cities will have to explore fully the implications of such an action, particularly if repayment hinges on Federal funding, which may vary from year to year.

There are undoubtedly other options available to cities -- depending upon their size and resources, their bonding capacity, present and future financial commitments, and a host of other factors far too complex to generalize here. The important thing to consider is the need for continuity in future renewal activities, which can only be assured if long term funding commitments are made to renewal activities.

B. Redevelopment Potential, Analyzed by Land Use

The tables which follow summarize -- in a highly abbreviated fashion -- our comments and suggestions for renewal for several types of land use:

- Predominantly residential, experiencing initial signs of decline
- Predominantly residential, with decline clearly underway
- Predominantly residential, in late stages of decline
- Predominantly residential, non-viable heavily abandoned neighborhood
- Central business district
- Institutional
- Industrial

It goes without saying that no one set of descriptions can hope to do justice to all cities and all types of areas. Complete and detailed analyses of potential renewal areas must, of course, be initiated by the city prior to the designation of any area as a renewal area. It is hoped that the tables which follow will provide food for thought with respect to the potential of revenue in the future.

<u>Land Use:</u>	Predominantly Residential, experiencing initial signs of decline.
<u>Characteristics:</u>	Area experiencing initial signs of decline, characterized by such factors as declining maintenance, higher than normal turnover, unauthorized conversions, conversions from single to multiple family units, or signs of decline in property values.
<u>Most Applicable Renewal Mode:</u>	Concentrated code enforcement, together with rehabilitation. Spot clearance of isolated pockets of blight.
<u>Possible Uses of Community Development Funds:</u>	<ul style="list-style-type: none"> - formulation of action plan for area - staff salaries for code enforcement and rehabilitation specialists - acquisition and clearance of blighted structures - relocation payments to any households or businesses forced to move - land write down of cleared parcels to facilitate reuse - revolving rehabilitation loan fund - installation of public improvements (streets, lighting, utilities, etc.) - construction of public facilities (parks, community center, athletic facilities, etc.)
<u>Possible Consequences:</u>	The probability of halting decline depends upon the <u>specific</u> characteristics of the area and its residents, which should be analyzed carefully during development of plans for the area. In general, the closer the area is to an established desirable area, the greater the probability of success in halting further decline and stabilizing the area.
<u>Other Considerations:</u>	Land disposition of reuse parcels apt to be difficult for private residential reuse ... avoid overconcentration of low income households on cleared sites ... obtaining appropriate reuse probably more important than obtaining highest possible land disposition proceeds ... avoid overly large, unmanageable planning area ... confine area to one which is relatively homogeneous in terms of present population characteristics ... set realistic and consistent goals for the area.

<u>Land Use:</u>	Predominantly Residential, with decline clearly underway.
<u>Characteristics:</u>	Area with decline clearly underway, manifested in substantially declining maintenance, building code violations, sharply declining property values, conversions of house and apartments to transient accommodations, high population turnover, increasing absentee ownership.
<u>Most Applicable Renewal Mode:</u>	Rehabilitation combined with substantial clearance of blight and blighting influences.
<u>Possible Uses of Community Development Funds:</u>	<ul style="list-style-type: none"> - formulation of action plan for area - staff salaries for project management - acquisition and clearance of blighted structures - relocation payments to any household or businesses forced to move - land write down on cleared parcels - installation of public improvements - construction of community facilities - revolving rehabilitation loan fund - development and implementation of social and economic programs to complement and reinforce physical programs.
<u>Probable Consequences:</u>	Rehabilitation and clearance combined can successfully eliminate blight and may assist in slowing down the spread of blight. They cannot, by themselves, assure the creation of viable residential areas or the provision of adequate housing for low and moderate income households.
<u>Other Considerations:</u>	Relocation costly, timely, and politically unpopular despite high relocation payments ... Private reuse market probably very limited ... Relocation may actually hasten out-migration of middle-income households, leaving greater concentration of multiple problem, low-income households ... predominant reuse for low- and moderate-income households may produce undesirable economic concentrations ... physical urban renewal without complementary social and economic programs only dealing with manifestation of blight; not its causes.

<u>Land Use:</u>	Predominantly Residential, late stages of decline.
<u>Characteristics:</u>	Area in late stages of decline, characterized by substantial population decline, high concentration of physical blight, social, and economic problems, multiple code violations, sharply declining property values, some abandonment.
<u>Most Applicable Renewal Mode:</u>	Total Clearance
<u>Possible Uses of Community Development Funds:</u>	<ul style="list-style-type: none"> - formulation of action plans for area - staff salaries for project management - acquisition of structures and clearance - relocation payments to all households and businesses - installation of public improvements - land write down - construction of public facilities - development and implementation of social and economic programs to complement and reinforce physical programs.
<u>Probable Consequences:</u>	Clearance will eliminate blight (but may only shift it elsewhere) ... possibility of halting spread of blight, but far from certain.
<u>Other Considerations:</u>	Relocation costly, timely, and politically unpopular despite high relocation payments ... adequate relocation housing may be difficult to obtain ... highly limited market for private reuse unless area very large or immediately adjacent to perceived desirable area ... only dealing with manifestation of problem (blight) not its causes (poverty, education, jobs, discrimination) ... should be combined with social and economic programs designed to deal with causes of problems ... public reuse or land banking may be necessary ... unclear whether benefits will outweigh very high costs.

<u>Land Use:</u>	Predominantly Residential, non viable, heavily abandoned neighborhood.
<u>Characteristics:</u>	Area in late stages of decline characterized by substantial abandonment, severe physical blight, concentration of major social and economic problems, concentrated code violations.
<u>Most Applicable Renewal Mode:</u>	Total Clearance
<u>Possible Uses of Community De- velopment Funds:</u>	<ul style="list-style-type: none"> - formulation of action plans for area - staff salaries for project management - acquisition of structures and clearance - relocation payments to all households and businesses - installation of public improvements - land write down - construction of public facilities - development and implementation of social and economic programs to complement and reinforce physical programs.
<u>Probable Consequences:</u>	Elimination of blight, which may only be shifted elsewhere. Possibility of halting spread of blight, but only if clearance extensive.
<u>Other Considerations:</u>	Relocation costly, timely, and politically unpopular despite high relocation payments ... sufficient relocation housing may be hard to obtain ... private reuse market probably highly limited unless area very large, or immediately adjacent to perceived desirable area ... renewal alone only dealing with manifestation of problem, not its causes ... should be combined with complementary social and economic programs ... public reuse or land banking probably necessary ... benefits probably do not outweigh very high costs.

<u>Land Use:</u>	Central Business District
<u>Characteristics:</u>	Heart of downtown area, or immediately adjacent to it, characterized by varying degrees of physical decay, functional obsolescence, inadequate parking and circulation, declining retail sales, declining property values, lack of private investment potential, loss of markets to fringe or suburban areas.
<u>Most Applicable Renewal Mode:</u>	Various combinations of clearance and rehabilitation, depending on the extent and magnitude of the problems faced.
<u>Possible Uses of Community Development Funds:</u>	<ul style="list-style-type: none"> - formulation of action plan for area - staff salaries for project management - land acquisition and demolition - relocation payments to households and businesses forced to move - installation of public improvements - construction of public facilities - land write down - revolving rehabilitation loan fund (if funds not available elsewhere).
<u>Probable Consequences:</u>	The experience with downtown oriented renewal has varied, and is dependent upon too many specific factors to generalize. If properly carried out, it can be expected to have a highly positive impact on a city's property tax receipts, and serve as a catalyst to further development in the downtown area.
<u>Other Considerations:</u>	Reuse potential must be evaluated carefully and realistically ... CBD renewal generally far more time consuming and often more costly than originally anticipated ... market for multifamily residential uses in central areas tends to be weak in all but the largest cities ... attracting major new retail facilities -- particularly department stores -- extraordinarily difficult, general probability of success not good. Market for hotel-motel and office facilities varies in direct proportion to size of city and extent to which suburbanization has occurred.

<u>Land Use:</u>	Institutional, surrounded by residential, industrial, commercial, or mixed uses.
<u>Characteristics:</u>	Hospital, college, medical center or other community-serving facility located in deteriorated area and requiring expansion room.
<u>Most Applicable Renewal Mode:</u>	Clearance, possibly combined with rehabilitation.
<u>Possible Uses of Community Development Funds:</u>	<ul style="list-style-type: none"> - formulation of action plan for area (with cost shared by institution) - staff salaries for project management (with cost shared by institution) - acquisition and clearance of structures - relocation payments to all households and businesses forced to relocate - land write down (as applicable - may not always be required) - construction of public improvements (streets, lighting, utilities, etc.) - development and implementation of social and economic programs, as needed, to meet needs of relocatees.
<u>Other Considerations:</u>	Institutional expansion, particularly if involving residential clearance, increasingly unpopular ... magnitude of relocation problem and extent of availability of adequate housing major considerations in establishing project boundaries ... construction of new institutional facilities often takes far longer than anticipated and is subject to many unanticipated delays ... be assured that institutional funding is available prior to demolition.

Land Use:

Industrial

Characteristics:

Functionally obsolete buildings, physical deterioration, inadequate expansion opportunities.

Most Applicable
Renewal Mode:

Spot or total clearance, depending upon characteristics of area and its potential.

Possible Use of
Community De-
velopment Funds:

- formulation of action plan for area
- staff salaries for project management
- acquisition and clearance of structures
- land write down
- installation of public improvements (streets, utilities, lighting, etc.)
- relocation payments to relocated firms
- industrial development/vocational and job training programs.

Probable
Consequences:

Elimination of blighting influences, provision of functional industrial sites, expanded job opportunities.

Other
Considerations:

Potential for reuse should be analyzed carefully during planning ... substantial land write down probably needed due to cheap suburban land availability ... exercise caution not to encourage out-migration of jobs.

CONCLUSIONS

Urban renewal has been one of the most complex domestic programs ever undertaken in this country. More than perhaps any other program, it has affected young and old, rich and poor, black and white. The nearly 3,000 renewal projects carried out by approximately 1,200 cities have ranged from relatively simple residential code enforcement to complex multi-million-dollar central business district redevelopment efforts.

It is difficult to generalize about a program that has varied so widely from city to city in its objectives, its approaches, and its results. Moreover, renewal has had many changes and permutations during its twenty-five year history, yet the following key conclusions stand out from our research:

- Renewal has been relatively ineffective in providing better low income housing and causing a net reduction in blight and has had only modest success in upgrading low income neighborhoods.
- Renewal has been very successful in strengthening cities' economies, improving their competitive position, and adding to their tax bases.
- Although not all the costs and benefits of renewal can be quantified precisely, our findings suggest that its total benefits have outweighed its total costs.

- Renewal has generally been most successful in or near central business districts, and least successful in non-viable or heavily abandoned residential areas.
- Our analysis of more than 70 renewal projects suggests that approximately one-third are experiencing major problems or delays. Most -- but not all -- of these problems can be corrected by locally initiated actions.
- No one form of organization for renewal activities is clearly superior to all others.
- Renewal can -- and should -- play a major role in future community development programs. It has the potential for contributing significantly to many of the most severe problems cities are experiencing.
- In the future, the greatest probability of success in renewal is likely to be in or adjacent to central business districts. Projects in non-viable or heavily abandoned residential areas will continue to have a low probability of success.

We strongly recommend that local policy makers in cities having current renewal programs start the following studies immediately:

1. A thorough and independent evaluation of all current renewal activities and programs. This evaluation should focus on the likelihood of the projects attaining short-term community development goals, and should lead to specific and detailed recommendations concerning:
 - Which existing renewal projects should be accelerated in pace, or expanded in scope.
 - Which existing renewal projects should be substantially revised, or otherwise cut back.
 - Which existing renewal projects should either be placed in abeyance or abandoned.
2. An evaluation of the city's organization for renewal, and its ability to function effectively and efficiently under the program of Community Development Block Grants. This study should focus on such factors as:
 - Present organization and administrative capabilities and
 - The relationship of renewal efforts and staff to other community development programs and personnel.

Local policy-makers who have reviewed this report, are now in a position to address some of the key questions about renewal set forth in the first section. However, the report has undoubtedly raised a number of other questions in their minds. This volume is one of three prepared for local use by Real Estate Research Corporation under contract to HUD. We suggest that those interested in pursuing the subject further refer to the other two volumes in this study for additional information and guidance. The other volumes are:

- "Guidelines for Urban Renewal Land Disposition" - a handbook of recommendations, and suggestions for completing land disposition in present renewal projects.
- "A Simplified Manual for Evaluating Urban Renewal Projects" - a manual to be used by local officials in the evaluation of their current renewal activities.

URBAN RENEWAL LAND DISPOSITION STUDY

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